

# Statewide Issues

The fiscal effect of the following issues is reflected in statewide items rather than in individual budgets. These amounts will be allocated to individual budgets in the future.

## 2001-02 Operating Expenses and Equipment Reduction

The Governor's October 2001 Executive Order D-49-01 directed State departments to initiate various cost savings measures to effect a minimum \$150 million statewide reduction in 2001-02 operating expenses and equipment costs. The cost savings measures included canceling or postponing non-essential travel; reducing, canceling, or postponing any new contract or agreement for the purchase of goods or services; and, when possible, canceling and disencumbering the balance of any existing contract or purchase agreement. Departments have reported savings of approximately \$178 million as a result of this directive. This amount will be reverted from individual appropriations pursuant to urgency legislation to implement the proposals contained in the *Proposed Reduction in 2001-02 Spending* plan released in November 2001.

## 1999-00 and 2000-01 Disencumbrances

The Governor's Executive Order D-49-01 also directed State departments to review 1999-00 and 2000-01 encumbrances, for which goods and services had not been received, for potential disencumbrance and rever-

sion. Departments reported potential disencumbrances for both years of approximately \$40 million as a result of this review. This amount will be reverted from individual appropriations pursuant to urgency legislation relating to the *Proposed Reduction in 2001-02 Spending* plan released in November 2001.

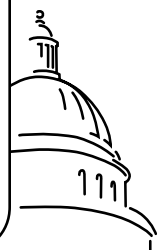
## 2001-02 Local District Projects

The *Proposed Reduction in 2001-02 Spending* plan released in November 2001 proposed to revert \$30 million of the approximately \$65.5 million General Fund appropriated for local district projects. An exemption mechanism was established to ensure projects for which resources have been obligated are not jeopardized if the absence of State funding would result in a loss of jobs or matching funds and resources. A reversion item to capture the General Fund savings will be proposed through urgency legislation.

## Hiring Freeze

In response to the State's continuing fiscal difficulties, the Governor issued Executive Order D-48-01 in October 2001, requiring State agencies and departments to implement a hiring freeze through June 2003. The Univer-

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sity of California and the California State University are requested to comply with the hiring freeze; however, participation is limited to a level that will not interfere with meeting their core educational missions. The hiring freeze prohibits the use of new hires to fill State positions, excluding specified positions related to public health, safety, security, and other positions producing State revenues. The hiring freeze is estimated to result in General Fund savings of up to \$13 million in 2001-02 and \$20 million in 2002-03.

### Pro Rata Assessments

The 2002-03 Pro Rata plan includes additional allocations to special funds that have not been assessed in the past, but should appropriately be assessed. These special funds receive services from the central service agencies and should share in the cost of these services.

These additional allocations are displayed in the Fund Condition Statement of specific governmental cost funds and in Item 9900 (Statewide General Administrative Expenditures). The additional allocations will increase recoveries to the General Fund by an estimated \$24 million.

### Anti-Terrorism Costs

The Governor's 2002-03 spending plan includes \$350 million from the federal government to help offset or fund the costs of anti-terrorism activities. The Budget proposes \$129 million of federal appropriations in 2001-02 and 2002-03

for protection and interdiction efforts by the California Highway Patrol that would otherwise be funded from the Motor Vehicle Account. Additionally, \$24 million of federal funding is proposed for bridge security system improvements that Caltrans made in 2001-02, and \$9.9 million for the Military Department's bridge security efforts.

The Budget proposes a statewide control section to allocate the remaining \$187 million in federal funds to State departments and local agencies. Of this amount, the Budget reflects \$10 million expended in 2001-02 and \$10 million in 2002-03 through reimbursement of General Fund expenditures, and authorizes the allocation of the remaining federal funds to various high priority needs in 2002-03. See the section on Assuring the Public Safety for more information on California's response to terrorism.

### Employee Compensation

The Administration successfully negotiated Memoranda of Understanding (MOUs) with 15 of the 21 Collective Bargaining Units (Units). Of the 15 negotiated MOUs, 8 have been ratified, and the remaining 7 are awaiting ratification by both the membership of the Units and the Legislature. The Administration is continuing negotiations with the remaining 6 Units without MOUs. Generally, for excluded employees, the Administration authorized salary and benefit adjustments similar to those provided to corresponding represented employees.



The Budget includes \$64.3 million (\$41.8 million General Fund) in 2001-02 to fund compensation and benefit adjustments for represented employees in the Units with MOUs pending ratification, and for represented employees in the 6 units that are anticipated to reach agreement. For 2002-03, the Budget includes \$209.7 million (\$130 million General Fund) for the continuation costs of employee compensation adjustments for both represented and excluded employees. Approximately one-half of the ongoing cost for employee compensation is attributable to increases in the employer's maximum monthly contribution for health benefits.

### **Health and Dental Benefits for Annuitants**

The Budget includes an increase of \$67.9 million General Fund (from \$485.8 million to \$553.7 million) for annuitant health and dental benefits in 2002-03 due to health premium increases and enrollment growth.

### **Controlling the Growth of State Government**

The Administration has made and is continuing to make a concerted effort to contain the growth of State government and to reduce the number of excess vacant positions in State service.

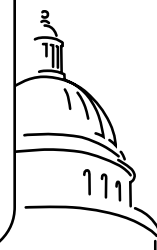
The Administration first addressed vacant positions in spring 2000, when it reduced 3,500 excess vacant positions from the 2000-01 Budget. These

reductions resulted from a review of 29 of the largest State departments (i.e., those with over 1,000 personnel years). In addition, 600 vacant positions expired or were eliminated in 2000-01. The Administration also supported a law change to eliminate any position continuously vacant for six months within the fiscal year. For the 2001-02 Budget, the Administration reviewed the 50 largest State departments (i.e., those with over 300 personnel years, including the original 29 departments), and reduced another 2,500 vacancies, for a total of 6,600 vacancies eliminated over the two-year period.

As a result of the Administration's efforts, the number of continuously vacant positions eliminated increased from 94 to 536 due to of the six-month limitation on continuously vacant positions. In addition, for the 29 largest departments, the percentage of excess vacancies decreased from 5.4 percent in 1998-99 to 5.1 percent in 2000-01.

In light of the first year's results, the next phase of the Administration's effort to reduce excess vacancies will consist of the following four actions:

- ❖ In spring 2002, the Administration will review 11 of the original 29 departments that experienced problems with excess vacancies in 2000-01, such as the excess vacancy rate remaining high, or the number of excess vacancies either increasing or not decreasing as expected. The 11 departments to be further reviewed include:



Department of Fish and Game  
Department of Water Resources  
State Water Resources Control  
Board  
Department of Toxic Substances  
Control  
Department of Mental Health  
Employment Development Depart-  
ment  
Department of Rehabilitation  
Department of Corrections  
Department of Youth Authority  
Department of Industrial Relations  
Department of Food and Agriculture

- ❖ In spring 2002, the Administration will review vacant positions in the following 25 departments that have from 75 to 300 personnel years and have not yet been reviewed:

Department of Information  
Technology  
Office of the Inspector General  
Office of Planning and Research  
State Treasurer's Office  
California Science Center  
State Personnel Board  
Department of Financial Institutions  
Department of Corporations  
California Housing Finance Agency  
Department of Managed Care  
State Lands Commission  
Department of Boating and Water-  
ways  
Office of Environmental Health  
Hazard Assessment  
Area Boards on Developmental  
Disabilities  
Department of Aging  
Department of Community Services  
and Development

Department of Child Support  
Services  
Board of Prison Terms  
State Library  
Commission on Teacher  
Credentialing  
California Community Colleges  
Office of Criminal Justice Planning  
State Public Defender  
Department of Personnel Adminis-  
tration  
Fair Political Practices Commission

- ❖ The Administration will examine the feasibility of a law change that would eliminate positions continuously vacant for six months, regardless of fiscal year. Such a change would require a significant and potentially costly change to the nearly thirty-year old position control system in the State Controller's Office (SCO). A new Human Resources Management system would have replaced this system, but this project has been suspended due to the State's current fiscal situation. The SCO's costs to comply with a pending law change will be evaluated, and if feasible, the funding will be addressed in the spring.
- ❖ In spring 2003, the Administration will review those departments among the second group of 50 that had problems with excess vacancies in 2001-02.

The current hiring freeze is expected to increase vacancies across all departments. Additionally, the two current year operating expense and



equipment reductions may affect vacancies, as departments may have to suspend critical hiring to ensure they make their reductions. These reductions may complicate the review of excess vacancies. However, it still should be possible to identify and address underlying problems.

The Administration remains committed to controlling the growth of State government and maximizing the use of existing personnel to meet the service demands of the citizens of the State.

